

Opening Statement
“Removing Obstacles for African Entrepreneurs”
By Chairman Chris Smith
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Global Human Rights and International Operations
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Six years ago, the African Growth and Opportunity Act was signed into law by President Clinton with the goal of stimulating growth in African economies through decreasing trade barriers and encouraging business-friendly regulatory environments. Since then, President Bush has expanded and extended AGOA. Over the past six years, U.S.-Africa two-way trade has increased by 115 percent. Last year, 98 percent of U.S. imports from AGOA nations entered the United States duty-free.

Despite the good news, however, it must be acknowledged that AGOA’s goal of promoting multi-sector economic growth in Africa has been met only partially. Expansion of trade with Africa is largely due to oil imports from Western African countries. Total non-oil trade under AGOA actually declined last year by 16 percent. This was despite increases in trade in non-oil sectors such as footwear, toys, chemicals, electronic products and cut flowers.

In the original vision for AGOA, this trade preference program was intended to benefit small and medium enterprises as well as large businesses and state-owned enterprises. Still, there remain constraints on African entrepreneurs that limit their ability to take advantage of AGOA or any other program to enhance trade.

There is an axiom that two-thirds of any African economy is in the informal sector. Many of these businesses are micro-enterprises, but a large number also are considered small and medium

companies with up to 100 or more workers. As in industrialized nations, such as the United States, small and medium enterprises are the engine of job growth in an economy. If not for their ability to create jobs, many more Africans would be unemployed.

Unfortunately, entrepreneurs operating in the large informal economy, the majority of them female-headed businesses, lack access to government services. They too often are denied adequate financing from banks. Their needs for infrastructure and economic policy changes are not taken into account. Corruption makes their existence more tenuous even than weak economies. As a result, according to a World Bank study, small and medium enterprises have less of an impact on economic growth than they might otherwise have.

The U.S. government has attempted to enhance the capacity of African small and medium enterprises during the term of AGOA. Last year alone, \$199 million in trade capacity building was spent in this area. Four hubs for global competitiveness have been established for this purpose in Botswana, Ghana, Kenya and Senegal. Nevertheless, African small and medium enterprises continue to lag in their ability to enjoy the benefits of AGOA.

In recognition of this continuing problem, Representative Tom Lantos, ranking member of the House International Relations Committee, and myself have introduced legislation, H.R. 4319, to address the remaining capacity needs of African small and medium entrepreneurs.

The Assistance for Small and Medium Enterprises in Sub-Saharan African Countries Act of 2005 makes a number of interventions that we believe will better enable African entrepreneurs to become more successful exporters in the global economy:

- H.R. 4319 provides technical assistance that will improve the ability of African banks to provide financing to small and medium enterprises.
- H.R. 4319 extends capacity building to African entrepreneurs, including youth and farmers.
- H.R. 4319 addresses intellectual property rights protection for African farming innovation, entertainment, and against counterfeit drugs.
- H.R. 4319 gives technical assistance to African countries to enable them to meet U.S. food safety standards and strengthen agricultural research.
- Finally, H.R. 4319 helps protect labor rights so increased production won't mean workers are operating in unsafe conditions for too little pay.

Surely, African nations have proven themselves able to make choices that can transform their economies once needed assistance is provided. Madagascar's economic policies have transformed this nation into an engine of trade under AGOA. Botswana today has a higher sovereign credit rating than Japan.

Many of us have witnessed the skills of African entrepreneurs who have come to America and demonstrated how successful they can be in the right environment. Africans living in America have one of the highest family incomes in our country because of their diligence and talents in doing business. These skills could be creating wealth and employment in Africa if the economic policies of those nations better provided for indigenous entrepreneurs at home so they aren't forced to seek opportunities abroad.

Africans and Americans benefit from AGOA, the Millennium Challenge Corporation, and other U.S. programs. However, a case can also be made that those who most need these opportunities have been least able to benefit from them. I hope our colleagues will work with us to gather all the information we can from today's hearing and support our legislative efforts in order to completely fulfill AGOA's promise as well as better benefit African entrepreneurs.